# IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF TENNESSEE WESTERN DIVISION

MANJUNATH A. GOKARE, P.C.,
on behalf of itself and a class of
all persons similarly situated,
:

:

Plaintiff, : Civil Action

File No. \_\_\_\_\_

v.

.

FEDERAL EXPRESS : Class Action

CORPORATION, : Jury Trial Demanded

:

Defendant. :

## **COMPLAINT**

## **INTRODUCTION**

1. Federal Express Corporation ("FedEx Express") is a shipping company offering express package delivery services in the U.S. domestic market under the brand of its parent corporation, FedEx Corporation. FedEx Express solicits U.S. domestic customers to enter into contracts for express delivery services by offering price terms that vary, in part, based upon the nature of the delivery destination. FedEx Express offers deliveries to non-residential destinations at a lower base price, with surcharges applied if the destination is "a delivery to a home or private residence." FedEx Express frequently charges and collects two distinct varieties of improper and unwarranted residential delivery surcharges from customers who contract with FedEx Express for delivery service to government offices, high-rise commercial office towers, and other buildings that are obviously not residential. In exacting these overcharges, FedEx Express breaches its contracts with its U.S. domestic customers. This action seeks to recover damages for breach of contract on behalf of one of those customers, Manjunath A. Gokare, P.C., and on behalf of a class of all persons similarly situated.

### **PARTIES**

- 2. Plaintiff Manjunath A. Gokare, P.C. ("Gokare") is a Georgia law firm operating as a Georgia professional corporation. Gokare's principal place of business is located in Alpharetta, Georgia. Gokare's law practice focuses on immigration law. Gokare has regularly contracted with FedEx Express for the delivery of time-sensitive immigration documents to various United States government buildings. FedEx Express has frequently charged and collected improper and unwarranted residential delivery and delivery area-residential surcharges from Gokare in violation of the contract terms governing the pricing of these shipments.
- 3. FedEx Express is a Delaware corporation with its principal place of business in Memphis, Tennessee. FedEx Express is a wholly-owned subsidiary of parent FedEx Corporation and is operated to compete collectively and to be managed collaboratively with its sister corporations.

## **JURISDICTION**

- 4. This Court has subject matter jurisdiction over this class action pursuant to the Class Action Fairness Act of 2005. The matter in controversy exceeds \$5,000,000 exclusive of interests and costs, and Plaintiff and other members of the class are citizens of a state different from the Defendant. *See* 28 U.S.C. § 1332(d).
  - 5. The Defendant is subject to personal jurisdiction in this district and division.

#### **VENUE**

6. Venue of this action is proper pursuant to 28 U.S.C. § 1391(a).

### **FACTUAL ALLEGATIONS**

7. FedEx Express is the world's largest express transportation company. For the fiscal year ending May 31, 2010, FedEx Express U.S. domestic operations averaged daily

shipment volume of 2.6 million. For the fiscal year ending May 31, 2010, FedEx Express generated, on average, approximately \$15 in revenue for each of those packages.

- 8. FedEx Express augments its revenue by charging and collecting certain surcharges from its customers.
- 9. One surcharge contemplated in the pricing terms offered by FedEx Express is a residential delivery charge, which the FedEx Service Guide defines as a per package fee for "a delivery to a home or a private residence." During calendar year 2010, FedEx Express set its residential delivery surcharge at \$2.50. Effective January 3, 2011, FedEx Express unilaterally upped this residential delivery charge to \$2.75.
- 10. A second distinct revenue-augmenting surcharge FedEx Express charges and collects in certain circumstances is the residential delivery component of the delivery area surcharge. The FedEx Service Guide defines the delivery area surcharge as a per package fee for "shipments destined to select U.S. ZIP codes" that FedEx Express deems more costly and inconvenient to service. A list of these ZIP codes is available at fedex.com. The universe of these area surcharge deliveries is further broken down into two categories: regular and extended. In each instance, the amount of the surcharge is increased if the shipment is a residential delivery.
- 11. For calendar year 2010, the regular delivery area-commercial surcharge was \$1.70. For calendar year 2010, the regular delivery area-residential surcharge was \$2.50 (i.e., \$0.80 more than commercial). Effective January 3, 2011, FedEx Express unilaterally upped the regular delivery area-commercial surcharge to \$1.85. Effective January 3, 2011, FedEx Express unilaterally upped the regular delivery area-residential surcharge to \$2.75 (i.e., \$0.90 more than commercial).

- 12. For calendar year 2010, the extended delivery area-commercial surcharge was \$1.70. For calendar year 2010, the extended delivery area-residential surcharge was \$2.75 (i.e., \$1.05 more than commercial). Effective January 3, 2011, FedEx Express unilaterally upped the extended delivery area-commercial surcharge to \$1.85. Effective January 3, 2011, FedEx Express unilaterally upped the extended delivery-area residential surcharge to \$3.00 (i.e., \$1.15 more than commercial).
- 13. The residential delivery and delivery area surcharges are cumulative. Thus, if a shipment is a residential delivery and is also "destined to select U.S. ZIP codes," the shipment is subject to both a residential delivery and a delivery area-residential surcharge.
- 14. FedEx Express employs three methods to classify whether a shipment is a residential delivery or a non-residential delivery:
  - (a) First, FedEx Express deems a shipment to be a residential delivery if the customer identifies it as a delivery to a residential address.
  - (b) Second, FedEx Express checks the recipient's address against a national database of addresses. This database indicates whether the address is a business address, residential address, or unknown. FedEx Express deems the shipment to be a residential delivery if the address is listed in the database as residential or unknown.
  - (c) Third, FedEx Express deems a shipment to be a residential delivery if its delivery person specifies that the destination is residential address.
- 15. If any of these methods indicate that the delivery destination is residential, FedEx Express imposes a residential delivery surcharge. If the same shipment is also "destined to select U.S. ZIP codes," FedEx Express also imposes a delivery area-residential surcharge.

- 16. This methodology inevitably results in FedEx Express charging a significant volume of residential delivery and delivery area-residential surcharges for shipments to non-residential destinations.
- 17. The database that FedEx Express uses is riddled with errors. The database incorrectly identifies government offices, high-rise office towers, and other similar buildings as residential addresses, even though it is readily apparent to FedEx Express personnel that those buildings are not residential and the imposition of a residential delivery charge constitutes an overcharge.
- 18. The database also classifies some addresses as unknown. By defaulting all such unknown addresses into the residential category for delivery pricing purposes, FedEx Express imposes a high volume of inaccurate residential delivery and delivery area-residential surcharges in violation of the pricing FedEx Express specifies in its contracts with its customers.
- 19. FedEx Express delivery persons also provide tracking entries that contain a high and unbalanced error rate in misclassifying shipments to commercial destinations as residential deliveries. For example, entries that state that a package was delivered to "receptionist/front desk," "shipping/receiving," "mailroom," or "guard/security station" all reflect the characteristics of a shipment to a commercial location and characteristics utterly inconsistent with a residential delivery. Yet, even when these entries appear in the tracking information, FedEx Express often imposes unwarranted and improper residential and delivery area-residential surcharges on its customers.
- 20. FedEx Express has chosen to conduct its business in a manner that results in frequent and repetitive overcharges exacted through the mechanisms of improper residential delivery surcharges and improper delivery area-residential surcharges on shipments from a

commercial point of origin to government offices, high-rise commercial office towers, and other shipping destinations that are obviously not residential. *See*, for example, Exhibits 1, 2, 3, 4, 5, and 6.

21. For example, on February 26, 2010, Gokare entered into a contract with FedEx Express to ship time-sensitive immigration documents to the United States Citizen and Immigration Services ("USCIS") processing center in Saint Albans, Vermont. The recipient's address was listed as:

Premium Processing Service USCIS – Vermont Service Center 30 HOUGHTON ST SAINT ALBANS VT 05478 US

See Exhibit 7.

- 22. The address, on its face, is not residential. It is an office of the United States government. Nevertheless, by invoice dated March 9, 2010, FedEx Express unilaterally imposed both a residential surcharge (\$2.50) and a delivery area-residential surcharge (an additional \$2.50) on the price of this particular delivery. *See id.*
- 23. A Gokare employee discovered the overcharges in connection with the February 26, 2010 shipment. On March 16, 2010, the Gokare employee contacted FedEx Express in compliance with the FedEx Service Guide: FedEx Express Terms and Conditions (U.S. Shipments), Billing § L(7)(d), to correct the billing error, to demand reversal of the improper residential delivery surcharge and the improper delivery area-residential surcharge, and to correct the classification of the USCIS Service Center in St. Albans, Vermont on future shipments.
- 24. The FedEx call-center representative refunded the residential delivery surcharge but refused to adjust the delivery area-residential surcharge (\$2.50) to a delivery area-commercial surcharge (\$1.70).

- 25. On March 11, 2010, Gokare again entered into a contract with FedEx Express to ship time-sensitive immigration documents to the USCIS Processing Center in Saint Albans. *See* Exhibit 8.
- 26. This address, on its face, is not residential. It is an office of the United States government. Nevertheless, by invoice dated March 16, 2010, FedEx Express unilaterally imposed both a residential surcharge (\$2.50) and a delivery area-residential surcharge (an additional \$2.50) on the price of this particular delivery. *See id*.
- 27. A Gokare employee discovered the overcharges in connection the March 11, 2010 shipment. On March 22, 2010, the Gokare employee contacted FedEx Express in compliance with the FedEx Service Guide: FedEx Express Terms and Conditions (U.S. Shipments), Billing § L(7)(d), to correct the billing error, to demand reversal of the improper residential delivery surcharges, and to correct the classification of the USCIS Service Center in St. Albans, Vermont on future shipments.
- 28. On this occasion, FedEx's call-center representative insisted that FedEx Express's overcharges were "valid" and refused to refund or adjust either of the improper and unwarranted surcharges. Gokare's employee then asked to speak with a supervisor and was connected to a "manager" named "Susan". FedEx's call-center supervisor insisted that both the residential surcharge and the delivery-area residential surcharge relating to the March 11, 2010 shipment invoiced on March 16, 2010 were "valid" and that no adjustment would be forthcoming.
- 29. Plaintiff has, with respect to its shipments of February 26, 2010 (invoiced March 9, 2010) and March 11, 2010 (invoiced March 16, 2010), fully complied with the FedEx Service Guide regarding notice and presentment of claims with respect to these residential delivery and delivery-area residential overcharges.

30. As a result of Defendant's violations of its contracts with Plaintiff specified above and its wrongful denial of Gokare's timely efforts to seek appropriate adjustments, Plaintiff has been damaged by an amount of no less than \$4.10.

## **CLASS ALLEGATIONS**

- 31. Plaintiff brings this action on behalf of itself and members of the following class: All persons who, during the period commencing February 18, 2010 and continuing until resolution of this action, purchased FedEx Express package delivery services in the U.S. domestic market, and who were charged and paid a residential delivery surcharge or a delivery area-residential surcharge (or both), for any delivery that was not destined to a home or private residence. The class excludes Defendant, its affiliates, and class counsel.
- 32. This class action is brought pursuant to Rule 23(b)(3) of the Federal Rules of Civil Procedure because issues of law and fact common to class members predominate over any questions affecting only individual members. Given the extraordinarily high volume of contract claims generated by Defendant's repetitive imposition of improper and unwarranted surcharges in which the stakes are generally less than \$5 for each contract breached, a class action is superior to other available methods for fairly and efficiently adjudicating the controversy. Indeed, a class action is the only practicable vehicle for securing a remedy for Defendant's numerous breaches of contracts with its customers.
- 33. Moreover, this case is appropriate for class treatment because the class of customers who have been overcharged on their contracts for shipment to non-residential destinations is so numerous that joinder of all members is impracticable, questions of law and fact are common to the class, the claims and defenses of the parties will be typical of the claims

and defenses of the class, and the representative parties will fairly and adequately protect the interests of the class.

- 34. Questions of law and fact common to the class include the following:
  - (a) whether Defendant's charging and collection of residential delivery or delivery area-residential surcharges (or both) from customers who contracted for the shipment of packages to a non-residential destination constitutes a breach of contract;
  - (b) whether Defendant employs a database of addresses to impose residential delivery charges;
  - (c) whether the database contains errors adverse to Defendant's customers;
  - (d) whether Defendant imposes and collects a residential surcharge for addresses that are classified in the database as unknown;
- (e) whether Defendant use specifications from tracking entries made by delivery persons to charge and collect improper and unwarranted residential delivery charges, even when the tracking entries establish characteristics of a commercial rather than a residential destination;
- (f) whether Defendant conducts its business relating to the distinction between residential and commercial deliveries in a manner which results in the application of frequent and repetitive overcharges in violation of the Defendant's contracts with class members;

- (g) whether Defendant conduct its business relating to the residential delivery overcharges in a manner which insulates it from accountability for breaches of its contracts with class members; and
  - (h) whether certain terms and conditions contained in the FedEx Service

    Guide, including purported restrictions on whether any customer can ever seek redress for breach of contract on a classwide basis, are unconscionable and, therefore, unenforceable.
- 35. The contract claims of Plaintiff are typical of the contract claims of the class. Plaintiff is a member of the class, and its experience with the Defendant is representative of the experience of class members in general.
- 36. Plaintiff will fairly and adequately protect the interests of the class. Plaintiff is committed to obtaining just relief for all class members and has retained counsel with experience in breach of contract and class action litigation.
- 37. A class action is manageable because the facts relating to the size of the class, the identity of class members, the systemic and formulaic nature of the Defendant's conduct in overcharging class members by misapplying residential delivery surcharges to commercial shipments, and the extent of damages inflicted on the class through Defendant's improper and unwarranted misclassification of commercial shipments as residential deliveries can be readily established through business records maintained for the benefit of the Defendant and its publicly-traded reporting parent company in the control of Defendant.
- 38. In the absence of class treatment, the class of FedEx Express customers, whose **daily** package delivery volume exceeds 2.6 million, will be deprived of any effective remedy for

Defendant's imposition of frequent and repetitive overcharges in violation of their contracts for the shipments of packages to non-residential destinations, resulting in aggregate contract damages to the class of FedEx Express customers far in excess of \$5,000,000.

### **CLAIM FOR RELIEF**

- 39. Plaintiff and all class members entered into valid contracts with the Defendant for the shipment of time-sensitive packages. As part of each agreement, Defendant agreed that it would neither impose nor collect any residential delivery surcharge or any delivery area-residential surcharge except in those instances where Defendant made "a delivery to a home or a private residence."
- 40. Defendant breached its contracts in every instance where it imposed and collected residential delivery and delivery area-residential surcharges on deliveries that were not to a home or private residence.
- 41. By breaching its agreements, Defendant has caused the Plaintiff and each class member to suffer damages.

### **RELIEF SOUGHT**

- 42. Plaintiff respectfully asks that this Court:
  - (a) certify this action as a class action pursuant to Rule 23(b)(3) of the Federal Rules of Civil Procedure;
  - (b) conduct a jury trial on all issues so triable;
  - (c) award Plaintiff and the class damages, together with interest and costs; and
  - (d) order any other relief it deems appropriate.

Respectfully submitted this 18th day of February, 2011,

## s/ William F. Burns

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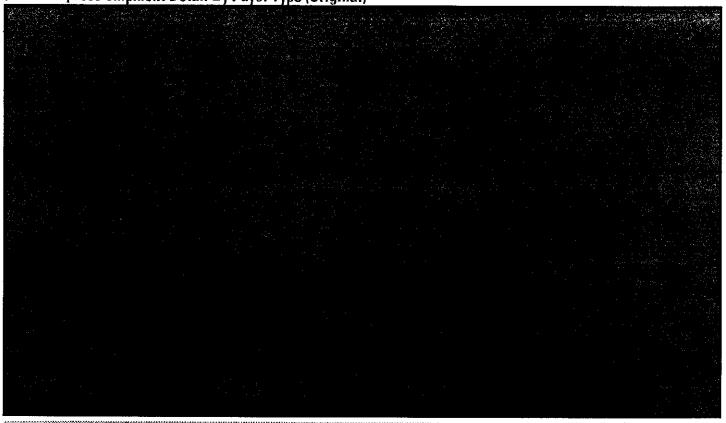
ATTORNEYS FOR MANJUNATH A. GOKARE, P.C.



Invoice Number Invoice Date Account Number Page
Jun 16, 2009 4 of 31

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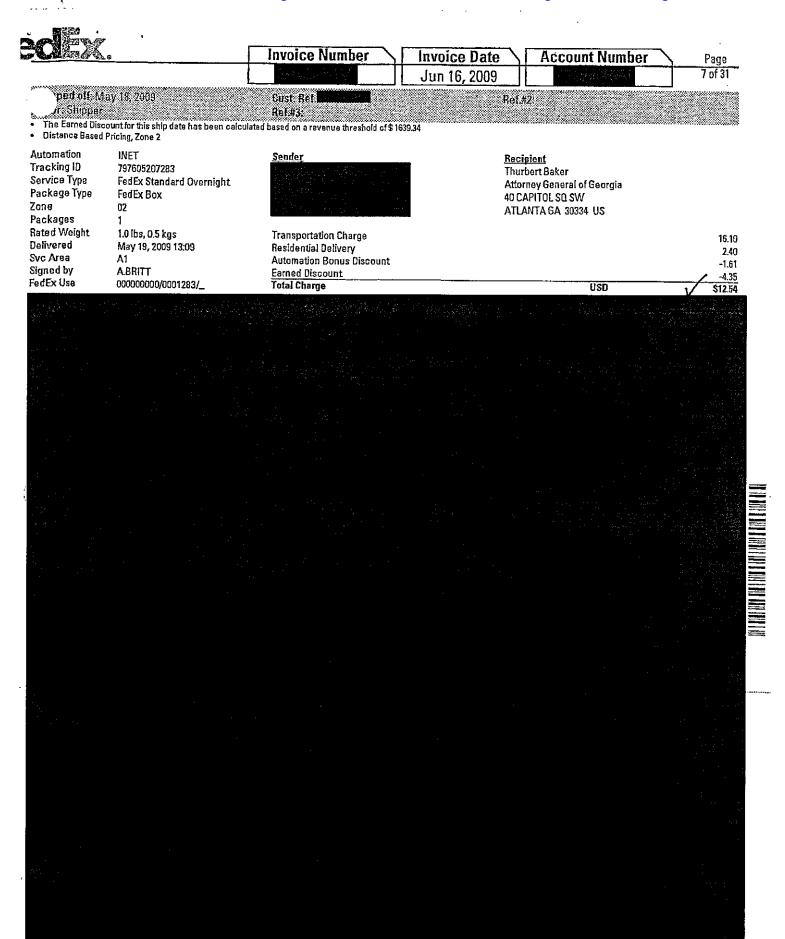
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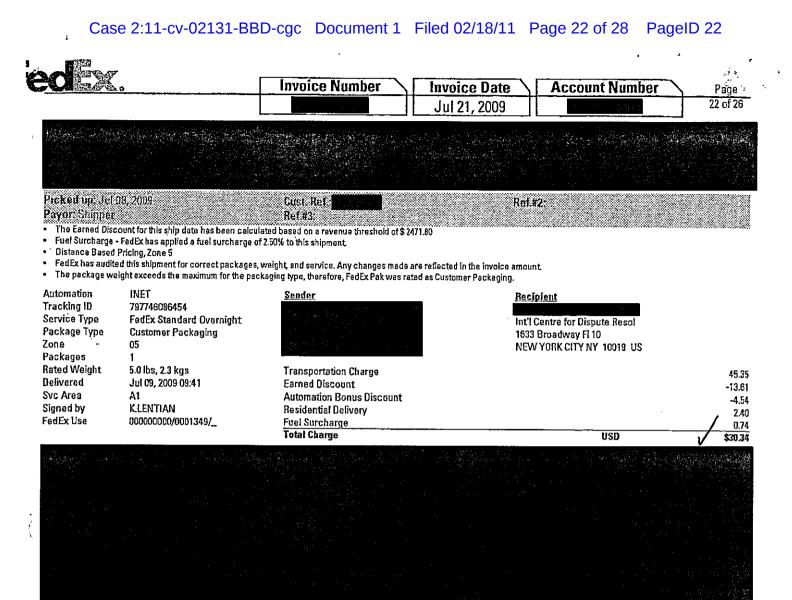


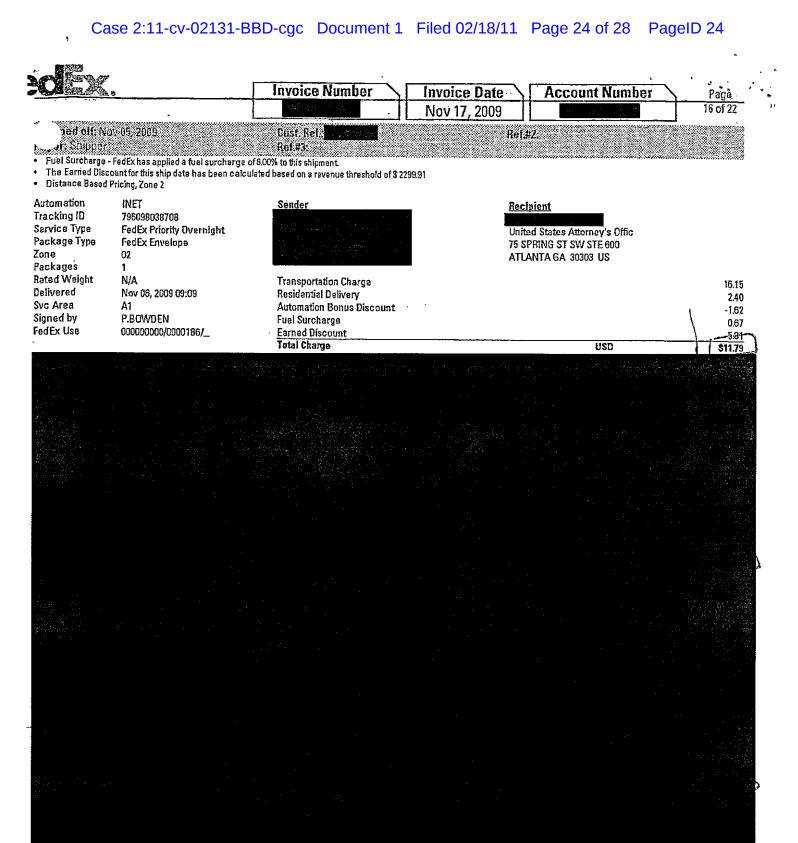
Picked up: May 15, 2009 Cust. Rel.: Ref.#2 Payor: Shipper Ref.#3.	Picked up: May 15, 2009 Gust. Ref. Ref. Ref. Ref. Ref. Ref. Ref. Ref

- The Earned Discount for this ship date has been calculated based on a revenue threshold of \$ 1639.34
- Distance Based Pricing, Zone 4
- 1st attempt May 18, 2009 at 09:25 AM.

Automation Tracking ID Service Type Package Type	INET 797599856966 FedEx Standard Overnight FedEx Envelope	<u>Sender</u>	Recipient Attorney General Eric Holder U.S. Department of Justice 950 PENNSULVANIA AVE NW
Zone	04	*	WASHINGTON DC 20530 US
Packages	1	·	
Rated Weight	N/A	Transportation Charge	
Delivered	May 18, 2009 09:57	Residential Delivery	1 1 1 4 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Svc Area	A2	Earned Discount	
Signed by	M.PARRIS	Automation Bonus Discount	
FedEx Use	000000000/0000222/_	Total Charge	USD







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Invoice Number 7-015-38695

Invoice Date Mar 09, 2010

**Account Number** 2470-6125-8

Page 3 of 3

# FedEx Express Shipment Detail By Payor Type (Original)

			•	-	
Dropped off: Feb 26, 2010 Payor: Shipper	Cust. I Ref.#3	lef.: L	-1A/L	-2-Starf	Pet/Muthu: Ref.#2:

- Fuel Surcharge FedEx has applied a fuel surcharge of 6.50% to this shipment.
- The delivery commitment for FedEx 2Day to residences (including home offices) is 7 P.M. the second business day for A1, A2, AA, A3, A4, A5, A6, AM, PM, and RM service areas.
- Distance Based Pricing, Zone 5
- FedEx has audited this shipment for correct packages, weight, and service. Any changes made are reflected in the invoice amount. The package weight exceeds the maximum for the packaging type, therefore, FedEx Pak was rated as Customer Packaging.

· ·	•				
Automation Tracking ID	INET 798427149157	<u>Sender</u> Manjunath A. Gokare		Recipient Premium Processing Service	
Service Type	FedEx 2Day	Law Office of Manjunath Gokare		USCIS - Vermont Service Center	
Package Type	Customer Packaging	11545 Park Woods Circle	(00)	30 HOUGHTON ST	V 250
Zone	05	ALPHARETTA GA 30005 US	(2)	SAINT ALBANS VT 05478 US	λ %
Packages	1 .		2	<b>ر</b>	rev
Rated Weight	5.0 lbs, 2.3 kgs	Transportation Charge		adi	19.70
Delivered	Mar 01, 2010 10:31	DAS Resi		0- 3 0	(2.50)
Svc Area	AM	Fuel Surcharge		was told most is address to H	149
Signed by	ASTANLEY	Residential Delivery		in a told is	1ston (250)
FedEx Use	000000000/0006046/	Discount		vees weeks v	-0.99 July
		Automation Bonus Discount		aso no ··	>\
		Total Charge		USD	\$24.20

- Fuel Surcharge FedEx has applied a fuel surcharge of 7.50% to this shipment.
- Distance Based Pricing, Zone 8
- FedEx has audited this shipment for correct packages, weight, and service. Any changes made are reflected in the invoice amount.
- The package weight exceeds the maximum for the packaging type, therefore, FedEx Envelope was rated as FedEx Pak.

Automation Tracking ID Service Type Package Type Zone	INET 793315442884 FedEx 2Day FedEx Pak 08	<u>Sender</u> Manjunath A. Gokare Law Office of Manjunath Gokare 11545 Park Woods Circle ALPHARETTA GA 30005 US	24000 AVII	I-129R .a rd RM 2312 JIGUEL CA 92677 US	
Packages Rated Weight Delivered Svc Area Signed by	1 2.0 lbs, 0.9 kgs Mar 04, 2010 10:23 A2 G.NGUYEN	Transportation Charge Automation Bonus Discount Fuel Surcharge Discount			20.35 -1.02 1.37 -1.02
FedEx Use	000000000/0006112/_	Total Charge		USD	\$19.68
		<del></del>	Shipper Subtotal	USD	\$43.88
			Total FedEx Express	USD	\$43.88

only waived \$ 2.50 - Desi. Delivery

DAS Resi > not waived.



Invoice Number 7-023-56374

Invoice Date Mar 16, 2010

**Account Number** 2470-6125-8

Page 3 of 3

> 33.55 -1.68 -1.68 2.50

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FedEx Express Shipment Detail By Payor Type (Original)

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<ul> <li>Fuel Surcharge - FedEx has applied a fuel surcharge of</li> </ul>	I / hit // to this si	tinmant.				**************************************	

Distance Based Pricing, Zone 5

FedEx has audited this shipment for correct packages, weight, and service. Any changes made are reflected in the invoice amount.

The package weight exceeds the maximum for the packaging type, therefore, FedEx Envelope was rated

Automation Tracking ID Service Type Package Type Zone Packages	INET 798457610705 FedEx 2Day FedEx Pak 05 1	Sender  Manjunath A. Gokare  Law Office of Manjunath Gokare  11545 Park Woods Circle  ALPHARETTA GA 30005 US	Recipient Attn: 1-129H USCIS - Vermont Service Center 75 LOWER WELDEN ST ST ALBANS VT 05479 US	
Rated Weight Delivered Svc Area Signed by FedEx Use	2.0 lbs, 0.9 kgs Mar 11, 2010 11:51 AM A.STANLEY 000000000/0006046/	Transportation Charge Discount Automation Bonus Discount Fuel Surcharge		13.85 -0.69 -0.69 0.94
Dropped off: M	· · · · · · · · · · · · · · · · · · ·	Total Charge  Cust. Ref.: H=18 Amend-Netsary: Disgra	USD Dakker.	\$13.41

Cust. Ref.: H-18 Amend-Netsery-Divya Payer: Shipper Ref.#3:

Fuel Surcharge - FedEx has applied a fuel surcharge of 7.50% to this shipment.

Distance Based Pricing, Zone 5

Automation Tracking ID Service Type Package Type Zone Packages	INET 793344657238 FedEx Standard Overnight FedEx Pak 05 1	Sender Manjunath A. Gokare Law Office of Manjunath Gokare 11545 Park Woods Circle ALPHARETTA GA 30005 US	Recipient Premium Processing Service USCIS - Vermont Service Center 30 HOUGHTON ST SAINT ALBANS VT 05478 US	
Rated Weight Delivered Svc Area Signed by FedEx Use	1.0 lbs, 0.5 kgs Mar 12, 2010 11:01 AM A.STANLEY 000000006/0001349/	Transportation Charge Automation Bonus Discount Discount UAS Resi Fuel Surcharge		

Residential Delivery Total Charge

\$37.83 **Shipper Subtotal** USD \$51.24 **Total FedEx Express** USD \$51,24

USD

Ref.#2:

3/22/10 Supervisor Susan (manuff)

Total FedEx Express

Refused to waive

Residential Delivery Charge

wat

Overpaid \$5.00

Conft: 510 434528

your oppice to got it